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SUBJECT: (U) INR INTELLIGENCE BRIEFS AND ASSESSMENTS

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1. (U) CLASSIFIED BY: DAVID G. SMITH, INR/IAA,  
DEPARTMENT OF STATE. REASON: 1.5(C) (D).

2. (U) THE FOLLOWING INR BRIEFS AND ASSESSMENTS, COMPILED  
BY INR/IAA, ARE PROVIDED FOR YOUR INFORMATION AND COMMENT.

I. BRIEFS

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: DONALD A. JOHNSTON  
DATE/CASE ID: 28 SEP 2001 200004441

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(C) PERU: FREEFALL

8. (C) A SERIES OF ILL-CONSIDERED, AUTHORITARIAN MOVES INTENDED TO SQUELCH OPPOSITION HAVE LANDED PERU'S PRESIDENT FUJIMORI IN ONE OF THE WORST DOMESTIC POLITICAL CRISES OF HIS SEVEN YEARS IN OFFICE. DESPITE A STRONG AND IMPROVING ECONOMY, HIS POPULARITY HAS DECLINED DRAMATICALLY, TUMBLING 50 POINTS IN THREE MONTHS ACCORDING TO SOME POLLS.

9. (C) FUJIMORI, CREDITED WITH BRINGING PERU'S BLOODY TERRORISM PROBLEM UNDER CONTROL AND REVIVING A MORIBUND ECONOMY, WAS REELECTED TO A SECOND FIVE-YEAR TERM IN 1995 WITH 64 PERCENT OF THE VOTE. PERUVIANS SUPPORTED OR TOLERATED FUJIMORI'S AUTHORITARIANISM, INCLUDING HIS 1992 "SELF-COUP," ACCEPTING HIS UNDEMOCRATIC TENDENCIES AS THE PRICE FOR SUCCESS IN CRITICAL AREAS.

10. (C) IN 1996, HOWEVER, FUJIMORI BEGAN A SLOW DECLINE IN POPULARITY AS HIS CONSTITUENCY AMONG THE RURAL AND URBAN POOR STARTED TO TIRE OF AUSTERITY MEASURES THAT SEEMED TO YIELD NO APPRECIABLE BENEFITS. OPPOSITION GREW IN OTHER SECTORS AS WELL, QUESTIONING SUCH HEAVYHANDED TACTICS AS THE FUJIMORI - CONTROLLED CONGRESS' S CONSTITUTIONAL INTERPRETATION ALLOWING THE PRESIDENT TO RUN FOR A THIRD TERM IN 2000, THE REFUSAL TO ALLOW AN INVESTIGATION INTO NARCOCORRUPTION CHARGES AGAINST POWERFUL NATIONAL SECURITY ADVISER VALDIMIRO MONTESINOS, AND A BOTCHED KIDNAPPING BY INTELLIGENCE AGENTS OF A DISSIDENT RETIRED

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11. (C) BONEHEAD MOVES. THE FOUR-MONTH HOSTAGE CRISIS THAT BEGAN LAST DECEMBER CAPTURED THE COUNTRY'S ATTENTION AND GAVE FUJIMORI A RESPITE FROM DOMESTIC CRITICISM; HIS BOLD, SPECTACULARLY SUCCESSFUL RESCUE OPERATION SENT HIS POPULARITY SOARING TO 90 PERCENT. INSTEAD OF CAPITALIZING ON HIS POPULARITY TO CEMENT SUPPORT FOR HIS PROGRAMS (AND AN EVENTUAL 2000 PRESIDENTIAL CANDIDACY), HOWEVER, FUJIMORI AND HIS LIEUTENANTS QUICKLY ALIENATED MOST PERUVIANS WITH STRONG-ARM MEASURES.

12. (C) ON MAY 29 FUJIMORI'S CONGRESSIONAL CLAQUE DISMISSED THREE CONSTITUTIONAL COURT JUSTICES WHO OPPOSED ON LEGAL GROUNDS A THIRD PRESIDENTIAL BID BY FUJIMORI. THEIR DISMISSAL GENERATED LARGE PROTESTS, MOBILIZING STUDENTS AGAINST FUJIMORI FOR THE FIRST TIME. PUBLIC ATTACKS AGAINST TELEVISION STATION OWNER BARUCH IVCHER, FOR REPORTING CRITICAL OF THE MILITARY, CULMINATED IN THE JULY 13 REVOCATION OF HIS PERUVIAN CITIZENSHIP BASED ON A TECHNICALITY. THE ACTION WAS WIDELY CONDEMNED BOTH

NATIONALLY- - INCLUDING BY NORMALLY PROGOVERNMENT MEDIA- -AND ABROAD AS AN ATTACK ON FREE SPEECH.

13. (U) THE POT WAS KEPT BOILING BY THE JULY 13 BROADCAST BY IVCHER'S STATION OF ILLEGAL TELEPHONE INTERCEPTS OF 197 JOURNALISTS, POLITICIANS, AND BUSINESS LEADERS, PRESUMABLY BY INTELLIGENCE AGENCIES. EARLIER RUMORS THAT FUJIMORI WAS BORN IN JAPAN RATHER THAN PERU, WHICH WOULD RENDER HIM INELIGIBLE TO BE PRESIDENT, GAINED NEW FORCE WITH THE

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REVELATION BY AN OPPOSITION MAGAZINE THAT FUJIMORI BIRTH DOCUMENTS HAD ALTERATIONS AND INCONSISTENCIES.

14. (U) THESE LATEST INCIDENTS CONFORM TO A PATTERN OF ARROGANT, AUTHORITARIAN BEHAVIOR EVIDENT IN MONTESINOS'S LARGE AND UNEXPLAINED INCOME, CONTINUOUS HARASSMENT OF OPPOSITION FIGURES AND JOURNALISTS, AND THE GRISLY MURDER OF AN ARMY INTELLIGENCE AGENT AND THE TORTURE OF ANOTHER BY THEIR OWN ORGANIZATION.

15. (C) FUJIMORI'S RESPONSE- -COMBATIVENESS. FUJIMORI'S USUAL REACTION TO CRITICISM IS TO BECOME MORE AGGRESSIVE, DENYING CHARGES AGAINST HIM AND BLAMING "VESTED INTERESTS" AND THE "CORRUPT PRESS." EXPLANATIONS OF INCIDENTS OFFERED BY SURROGATES LACK CREDIBILITY, UNDERMINING PUBLIC

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CONFIDENCE IN FUJIMORI AND THE GOVERNMENT. THE PRESIDENT'S JULY 28 INDEPENDENCE DAY SPEECH IGNORED POLITICAL PROBLEMS, FOCUSING INSTEAD ON THE ECONOMY. IN AN ATTEMPT TO SHORE UP HIS BASE AMONG PERU'S POOR, FUJIMORI OFFERED TO CUT TAXES, INCREASE SOCIAL SPENDING, AND RAISE PUBLIC WORKERS' SALARIES BY 15 PERCENT.

16. (C) THE TRIUMVIRATE. IN ADDITION TO LASHING OUT AT CRITICS WHEN UNDER ATTACK, FUJIMORI TENDS TO DRAW CLOSER TO HIS KEY SUPPORT BASES IN THE MILITARY, HEADED BY GENERAL HERMOZA RIOS, AND MONTESINOS'S INTELLIGENCE SERVICE (SIN). SOME OBSERVERS HAVE DESCRIBED THE COMPLEX POWER RELATIONSHIP AMONG THE THREE AS A TRIUMVIRATE, WITH FUJIMORI PLAYING HERMOZA AND MONTESINOS OFF AGAINST ONE OTHER WHILE DEPENDING ON THEIR SUPPORT.

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17. (C) WHATEVER THE CASE, RECENT EVENTS HAVE RAISED QUESTIONS ABOUT WHO IS IN CONTROL, WITH ONE POLL SHOWING ONLY 33.5 PERCENT BELIEVE FUJIMORI IS; 22.88 PERCENT CITE THE MILITARY, AND 30 PERCENT MONTESINOS. THOUGH THE HOSTAGE-RESCUE OPERATION TEMPORARILY RAISED THE STATUS OF BOTH THE MILITARY AND SIN, THEY ARE NOW IN PUBLIC DISFAVOR, PERCEIVED AS RESPONSIBLE FOR MANY OF THE RECENT INCIDENTS.

IN THE POLL CITED ABOVE, 82 PERCENT SAID HERMOZA AND MONTESINOS SHOULD RESIGN.

18. (C) THE TRUE NATURE OF THE RELATIONSHIP AMONG THE THREE IS MURKY, THOUGH IT SEEMS LIKELY FUJIMORI IS STILL IN CONTROL. BY REJECTING RESTRAINTS ON HIS PERSONAL DECISIONMAKING POWERS, HOWEVER, FUJIMORI DENIES HIMSELF THE POLITICAL "REALITY CHECK" THAT HIS BROTHER SANTIAGO AND SEVERAL OTHERS APPARENTLY OFFERED BEFORE THEIR DISMISSAL FROM GOVERNMENT SERVICE IN APRIL 1996. WITHOUT SOMEONE TO KEEP A WARY EYE ON THE QUESTIONABLE POLITICAL TACTICS OF HIS MILITARY AND INTELLIGENCE ALLIES- -A JOB THE CURRENT CABINET OF SYCOPHANTS IS UNABLE TO PERFORM- - FUJIMORI APPARENTLY FALLS VICTIM TOO OFTEN TO IDEAS THAT SUBSEQUENTLY REQUIRE EXTENSIVE DAMAGE CONTROL.

19. (C) POLITICAL AND ECONOMIC OUTLOOK. THOUGH FUJIMORI HAS STUMBLERD BADLY, THE FRACTURED OPPOSITION HAS NOT BEEN ABLE TO COALESCE AND CAPITALIZE ON HIS MISTAKES. LIKELY 2000 PRESIDENTIAL CANDIDATE AND LIMA MAYOR ALBERTO

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ANDRADE IS WELL AHEAD OF FUJIMORI IN THE POLLS (BY MORE THAN 30 POINTS IN ONE INSTANCE). BUT ELECTIONS ARE THREE YEARS AWAY, AND FUJIMORI WILL HOPE TO RIDE OUT THE CURRENT [REDACTED]  
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POLITICAL STORM AND EVENTUALLY CAPITALIZE ON PERU'S STRONG ECONOMY.

20. (C) THE RECOVERY FROM THE 1996 SLOWDOWN HAS LEFT PERU WITH HIGH GROWTH (7 PERCENT), A BUDGET SURPLUS (3.7 PERCENT OF GDP), LOW INFLATION (UNDER 10 PERCENT), AND LARGE INTERNATIONAL RESERVES (\$10 BILLION). AS HE ATTEMPTS TO WOO BACK THE POOR WITH INCREASED SOCIAL SPENDING, HE ALSO IS KEEPING AN EYE ON INVESTOR CONFIDENCE, SHAKEN BY RECENT DIPS IN STOCK MARKET- AND BRADY BOND PRICES AND BUSINESS LEADERS' EXPRESSIONS OF CONCERN IN REACTION TO THE POLITICAL CRISIS.

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